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FISCAL IMPACT STATEMENT

LS 6808

BILL NUMBER: SB 326

NOTE PREPARED: Dec 29, 2012

BILL AMENDED:

SUBJECT: Taxation of homesteads.

FIRST AUTHOR: Sen. Kruse

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: Local

Summary of Legislation: This bill provides that for purposes of the property tax circuit breaker credits, a "homestead" eligible for the 1% cap means a homestead that has been granted a standard deduction.

Effective Date: Upon passage.

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: *Summary:* The number of properties eligible for the 1% tax cap could be reduced under this bill. The higher property tax cap could potentially increase revenues for taxing units where the property is located. The number of properties affected is thought to be very small.

Background: Under current law, to qualify for the 1% property tax cap, a property must be *eligible* for the standard deduction. Under this bill, only properties that have *actually received* the standard deduction would be eligible for the 1% property tax cap. Nonhomestead residential properties have a 2% tax cap.

If an eligible taxpayer has not filed for the standard deduction, then the county auditor has no way to determine that a property is eligible for the 1% tax cap. In some cases, taxpayers have contacted the county auditor after receiving a tax bill. In those cases, the county auditor is able to apply the 1% cap retroactively and correct the

tax bill. However, because these taxpayers have not received the standard and supplemental standard deductions, the tax due before the application of the cap is significantly higher than if the taxpayer had received those deductions. As a result, the revenue loss under the cap is larger.

Currently, a taxpayer who is eligible for the standard deduction may file for the deduction as late as January 5th of the year in which property taxes are due.

State Agencies Affected:

Local Agencies Affected: County auditors; Local civil taxing units and school corporations.

Information Sources:

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